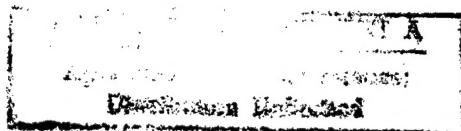


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# China Report

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20 July 1982

CHINA REPORT  
ECONOMIC AFFAIRS

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## CONTENTS

## PEOPLE'S REPUBLIC OF CHINA

## NATIONAL POLICY AND ISSUES

Open Door Policy Defended (ZHONGGUO CAIMAO BAO, 3 Jun 82) .....	1
--	---

Report on Kumming Price Theory Forum (JINGJI YANJIU, 20 May 82) .....	3
--	---

## ECONOMIC PLANNING

Bo Yibo on State Council's Plan To Reform Shipbuilding Industry (CHUANBO SHIJIE, 15 May 82) .....	13
---	----

## ECONOMIC MANAGEMENT

Measures for Improving Industrial Economic Results Cited (Huang Ruilin; FUJIAN RIBAO, 5 Apr 82) .....	16
--	----

'JINGJI GUANLI' on Business Financial Reorganizing (Tao Shengyu; JINGLI GUANLI, 15 May 82) .....	20
---	----

## FINANCE AND BANKING

Briefs Economic, Technical Corporation Set Up	24
--	----

## CONSTRUCTION

Shanghai Unveils Urban Development Plan (CHINA DAILY, 22 Jun 82) .....	25
---	----

Measures To Control Capital Construction Costs Suggested (Yang Ruiji; NINGXIA RIBAO, 8 Apr 82) .....	27
FOREIGN TRADE	
Briefs	
French Aid for Coalfield	30
TRANSPORTATION	
Briefs	
Expressway Feasibility Studies	31
GENERAL	
East China City Scores Industrial Success (XINHUA, 18 Jun 82) .....	32
HONG KONG MEDIA ON CHINA	
Hong Kong Developer Sets Plan for Shenzhen Town (HONG KONG STANDARD, 3 Jul 82) .....	34

## NATIONAL POLICY AND ISSUES

### OPEN DOOR POLICY DEFENDED

Beijing ZHONGGUO CAIMAO BAO [CHINA FINANCE AND TRADE JOURNAL] in Chinese 3 Jun 82 p1

[Article: "The Open Door Policy Will Not Be Changed"]

[Text] In the struggle to attack serious criminal activities in the economic field, some shocking cases of smuggling, contraband, bribery and embezzlement related to economic activities with the outside world have been exposed. As a result, some people have become doubtful about implementing the open door policy, believing that the criminal activities have come about because of the implementation of that policy. Some people are worried that investigating and dealing with these criminal cases will have a negative effect on the open door policy. There are even a few people who have speculated wildly that our open door policy will be changed or scaled down. These opinions are all mistaken ones.

Opening up to the outside world and stimulating the domestic economy has been a firm and unshakable principle of the party and government since the Third Plenum of the Eleventh Central Committee. If we want to build our country into a modern socialist state within a relatively short period of time, we must enliven our domestic economy. At the same time, in order to enhance the strength of our self-reliance and speed up the course of the four modernizations we must, while basing ourselves on a foundation of self-reliance, also fully utilize foreign investment and technology and intensively develop our economic exchanges with foreign countries. Consequently, we must be steadfast in our resolution to carry out the open door policy, and further economic contacts with firms in countries and areas of all different social systems.

In opening up to the outside world, the intrusion of the capitalist trend of thought cannot be avoided. The ideology of the bourgeoisie and other exploitative classes handed down from the old society is also influencing the thinking of some people. We should make a sober assessment of this situation, and must continually strengthen our education against corruption. As long as those cadres and personnel engaged in economic activities with the outside world uphold the four basic principles, observe discipline and obey the law, are honest in performing their official duties, do not seek personal gain, are not corrupted, and work with one mind to serve the state in its work toward modernization, the tricks of speculation and fraud and the methods of bribery and blackmail will be rendered useless. Patriotic overseas Chinese,

compatriots in Hong Kong and Macao, and many well-known figures in the business circles of foreign countries have responded enthusiastically to our open door policy, have assisted us in our task of modernization, and have expressed support and praise for our current struggle to attack serious criminal activities in the economic field. This makes it clear that the principles and current measures of the party and government are completely correct.

The struggle to attack serious criminal activities in the economic field is in essence a struggle against corruption. Our objectives lie in rectifying our domestic government and in educating our vast numbers of cadres and workers to observe discipline and obey the law, and to be honest in performing their official duties in order to better carry out the principles and policies of the party and the government. We must resolutely attack and punish in accordance with the law, and must neither tolerate nor appease, those engaged in smuggling, contraband, embezzlement and bribery, and those serious criminal elements who are destroying our socialist economy and violating our criminal laws. We should continue to fully implement our policy of opening up to the outside world, and neither alter it nor scale it down. We must persist in the struggle to attack serious criminal activities in the economic field. All improper practices, and activities aimed at disturbing the socialist economic order and harming the interests of the state must be resolutely curbed and corrected. Attacking criminal activities in the economic field will allow the policy of opening up to the outside world to be fully and correctly implemented, and will even better bring its effectiveness into play.

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## NATIONAL POLICY AND ISSUES

### REPORT ON KUNMING PRICE THEORY FORUM

HK051218 Beijing JINGJI YANJIU in Chinese No 5, 20 May 82 pp 72-75

[Article by forum secretariat: "Summary of the Forum of the Chinese Price Society on Price Theory"]

[Text] The Chinese price society held a forum on price theory in Kunming 2-11 February. Attending the forum were more than 160 representatives from departments concerned of the State Council, provincial, municipal and regional price bureaus, economic research institutions, colleges and news and publication units.

The forum was held following the speech made by Comrade Chen Yun during the Spring Festival on planned economy and the announcement of the State Council of the "resolution on resolutely stabilizing market price." All the delegates held that stabilizing market price is a long-range task, even more important at present. They also agreed with Comrade Liu Zhuofu [0491 0587 3940], president of the society, when he referred in his opening speech to such matters as how to develop macroeconomics and microeconomics, the study of the movement of the law of price in our country, analysis of the trends of market price and discussion and implementation of the principles and policies on price stabilization. They agreed to take all these as important subjects of discussion in the forum. Therefore, all these questions were fully compared and discussed. Other problems, such as the position and role of price in the national economy, the goals, methods and measures of price reform and the relationship between price reform with all other items of economic reform were also discussed. In addition, special discussions were also held for such questions as the foundation for the formation of socialist price and theoretical price.

#### I. About Price Stabilization

All the comrades attending the forum unanimously held that practice since the founding of the new China has proved that the principle for stabilizing price is correct and that this principle has played an active role in ensuring socialist construction and in stabilizing the people's life. But the delegates differed over such questions as the implication, limitation of quantity and theoretical foundation of stabilizing price.

### 1. The implication of stabilizing price.

Some comrades held that stabilizing price primarily means that market retail price is mostly stable and that this situation includes the following: 1) stabilize the general level of market price; 2) basically stabilize the price of daily necessity consumer goods; and 3) stabilize the people's living standard.

Other comrades divided stabilizing price into absolutely stable and comparatively stable. Absolutely stable means freezing price; it can only be taken as a temporary measure. With regard to comparatively stable, there are three explanations. First, the price of individual products may be up or down while the general price level only increases by a little each year. This situation can be called comparatively stable. The second explanation compares the changes in price with the changes in wages. As long as the growth rate of wages is higher than the growth rate of price, this situation can be called comparatively stable. The third explanation regards it as comparatively stable as long as the growth of the level of price is lower than the interest rate of savings.

### 2. The quantitative limitation of stabilizing price.

The first view holds that it is basically stable if retail price index increases within 1-3 percent each year.

The second view holds that the quantitative limitation of stabilizing price is that according to the situation in the changes of labor productivity in our country and according to the historical experiences in the movement of price over the past 3 decades, the annual price increase should not surpass 1-2 percent, while a 3-percent growth is too high.

The third view holds that the limitation of stabilizing price must be based on maintaining the people's living standard.

The fourth view holds that the standard does not solely depend on the percentage of increases; on the contrary, it must be based on the situation in which the growth in the increases of price accords with the changes of other economic goals of the national economy. For example, the quantitative limitation in stabilizing price must include the growth in the increases of price and this growth should be in line with the growth of wages.

### 3. The theoretical foundation for stabilizing price.

Most comrades held that stabilizing price is a long-range principle and a natural political and economic requirement of the socialist system. The theoretical foundation of this principle includes: first, basic socialist economic law demands that price must basically be stable or there will be no guarantee for improving the people's life. Second, the law of planned and proportionate

development and national economy need a proportionately rational and stable price system because if price is unstable, the imbalance of proportionate relationship will be enhanced. Third, political stability and unity requires the economic guarantee of stable price.

A minority of the comrades held that stabilizing price is a temporary policy measure. This measure has the following implications: first, basic socialist economic law demands that the people's needs must be met on the basis of developing production but it does not demand stable price. Second, normal price readjustment will not spoil the proportionate relationship of the national economy. Third, stabilizing price is a measure that can only be taken under certain conditions, therefore it can only be a temporary policy measure.

There are two different views with regard to whether the principle of stabilizing price accords with the law in the movement of price. One view holds that price is always up and down in relation to value; price is a reflection or self-variation of the volume of commodity value and itself is a system of trend. Since the price of commodities is based on their value and is constantly changing, therefore, the advocacy of stabilizing price itself lacks theoretical foundation. Another view holds that commodity price is an inverted image of currency, therefore, the inner factor that affects the level of commodity price must include not only commodity value but also the changes of the value of currency and these changes may be of the same or different directions, and of the same or different extents. Therefore, there may appear many different combinations and in these combinations there naturally exists the combination with the same orientation and the same extent of changes of the two self-variations. Under this condition, the level of price can be maintained basically stable. Therefore, following changes in labor productivity, the level of price can be maintained stable through readjusting value that is represented by unit currency. This is the theoretical foundation for stabilizing price.

#### 4. Major factors that affect stabilizing price.

Some comrades held that price increases are caused by such factors as serious disproportion of the national economy, low economic efficiency of production departments, financial deficits, currency circulation exceeding actual needs and a comparatively large difference between the volume of commodities that can be supplied and social purchasing power.

Others held that price increases are mainly caused by the fact that following the transformation of the economic management system, the direct relationship between the economic interest of enterprises and their staff and profits has appeared and consequently these enterprises increased or covertly increased prices on their own accord in seeking excessive awards.

Some held that price increases are mainly caused by a series of reactions following price readjustment and that price increases come first, followed by increases in currency.

Others held that unstable price is caused by such major factors as market management does not accord with the development of market situation, weak control over price negotiation and purchased price of over-purchased goods and relaxed control over price negotiation among industrial and commercial enterprises and overpricing in free-market trading.

#### 5. Measures for stabilizing price.

A number of measures were suggested during the discussion for the purpose of keeping price basically stable. These proposals include: first, work to develop production, improve economic results, develop industrial and agricultural productivity and decrease the value of unit products, all these are considered most basic. Second, readjust the structure of the national economy and realize a basic balance between social purchasing power and volume in the supply of commodities. Third, properly control the growth of consumption fund, strengthen banking credit management, persist in economic circulation of currency, prevent inflation and keep financial revenues and expenditures basically balanced. Fourth, persist in planned economy as primary and market regulation as supplementary, strengthen price management and price discipline and resolutely implement the principle of stabilizing price.

#### 6. The future trend in the general level of the development of price.

One view held that in the foreseeable future, the general price level in our country will constantly increase by a little margin. The reasoning behind this view is that when viewed from the trend in the changes of commodity price and because of the growth of population, social needs in industrial and agricultural products will constantly increase, poor soils and minerals will face increasing difficulties in production and labor consumption will continue to increase. Even if there are some improvements in production technology to offset some factors of the increases in the volume of labor and under the situation in which no major technical breakthroughs are made, increases in the volume of social labor needed for unit products will constantly occur. Therefore, the general price level tends to increase. In addition, increases in the prices of agricultural products and basic industrial products, and the possibility of a drop in labor consumption for processing industrial unit products will become smaller and smaller. Our country also has to arrange the employment of a large number of people. Consequently, it is difficult to increase social labor productivity in a short time. Therefore, for a certain period to come, the general price level will tend to increase.

On the contrary, another view held that from a long-term point of view, there is no need for constant increases in the general level of price. The reasons for this are:

First, it is true that labor consumption of agricultural and basic industrial products tends to increase, while labor consumption of processed products tends to decrease. When these two aspects are affected, the volume of decreases may be higher than the volume of increases. Otherwise, there would be no social progress.

Second, price increases that are caused by excessive currency circulation because of financial reasons occur under extraordinary conditions. Following economic readjustment and strengthening the work of comprehensive balance, the excessive circulation of currency can consequently be resolved and, therefore, this situation can in no way constitute a permanent factor affecting price increases.

Third, the labor productivity of some trades is presently very low and has even dropped; but this situation is a temporary and abnormal phenomena. For example, drops in labor productivity in exploiting industry are related to changes in exploiting conditions, disproportion between exploiting and tunneling and untimely opening up of new resources. If we are able to constantly change these situations, labor productivity must not and cannot drop.

## II. About the Price of Agricultural Products

### 1. Evaluation of the present purchasing price of agricultural products.

All the comrades attending the forum unanimously held that the important policies of the CCP Central Committee and the State Council on considerably increasing the purchasing price of agricultural products are correct. These policies have been an important measure in readjusting the national economy in an all-round way as well as an important reason for a rapid improvement of the situation in rural areas. Following consecutive readjustments, the situation in which the purchasing price of agricultural products was too low has been greatly improved. Basically speaking, these policies have been helpful in promoting the development of agricultural production and increasing peasants' income and have therefore been accepted by them. In order to maintain basically stable price, implement the important principle put forth by Comrade Chen Yun about ensuring economic activities orderly and of stably improving economy and in order to give consideration to both the country's construction and people's livelihood, it is not necessary for a certain period to come to readjust to a considerable extent the purchasing price of agricultural products; this price must be stabilized. Some comrades held during the discussion that the purchasing price of agricultural products must be stabilized for a certain period; they meant to stabilize the level of price, but they did not mean to eliminate the readjustment of the price of few varieties of agricultural products.

### 2. Scissors differential in the prices of industrial and agricultural products.

The first view held that since the purchasing price of agricultural products was considerably increased in 1979, the price of these products basically accords with their value; the volume of the agricultural products that are exchanged with industrial products has considerably increased, the difference between industrial and agricultural income has been narrowed while a scissors effect no longer exists. Some comrades held that there has appeared a counter scissors effect.

The second view held that since the original scissors differential was too big, although it had been narrowed since 1979, the cost profit rate of agricultural products is still lower than that of industrial products, therefore, such differential still exists and it is not small. Those who held this view suggested that the increase in the purchasing price of agricultural products be continued so as to narrow the differential as quickly as possible.

The third view held that the existence of the current scissors differential is both related to and different from whether the purchasing price of agricultural products can be stabilized for several years. Those with this view held that it is objectively necessary during the current period to maintain a certain scissors differential. Since peasants are still providing accumulation to the state through the two forms of increasing price for overpurchased agricultural products and paying taxes, therefore, in order to increase the commodity price of agricultural products and enable agriculture to develop along the needs of the national economy, it is imperative in future to continue to narrow the scissors differential and create conditions for gradually eliminating it. According to the present situation, it is true that the scissors differential still exists. However, it is necessary to stabilize for a certain period the purchasing price of agricultural products. To narrow the scissors differential we must mainly depend on promoting production, lowering costs and controlling population growth in rural areas. From a long-term point of view, it is still an important measure to narrow the scissors differential through increasing the purchasing price of agricultural products.

### 3. Increases in the price of overpurchased agricultural products.

With regard to the necessity and theoretical foundation of increasing the prices of overpurchased agricultural products, one view held that such practice is a temporary measure to encourage peasants to sell more agricultural products and has the nature of an award. As the requisition of agricultural products by purchase was based several years ago on soil productivity, therefore, this kind of purchase has no direct relationship to the quality of the soil and the amount of investments and consequently it departs from social costs. In addition, the excessive price increases for overpurchased agricultural products in some regions at present do not represent differential in income. Therefore, to increase the prices of overpurchased agricultural products has no theoretical foundation. Such practice does not accord with the needs in the development of commodity production and therefore it cannot be taken as a long-range measure for readjusting price. Another view held that such practice is necessary and has theoretical foundation. This is because during a certain period when no major changes take place in technical conditions, continuous investments in a unit of land for the purpose of increasing output will result in increases in costs and decreases in results. These are accounted for by increases of the prices of overpurchased products.

### III. About Price Subsidy

#### 1. The necessity of price subsidy and its theoretical foundation.

The first view held that financial price subsidy does not accord with the requirement of the law of value. This practice makes price depart from value and consequently causes irrational redistribution in the income of residents and is not in the interest of solving the current deficit and readjusting the national economy. The comrades with this view stressed that whether it can be abolished is another. They said that we cannot regard such practice as an inherent natural existence of the socialist economy and use it for a long period and that it must be transformed and resolved as soon as possible during readjustment of wages.

The second view held that price subsidy is in fact an important measure that has been taken on the basis of socialist basic economic law to stabilize price and represents the superiority of the socialist system. Those who held this view said that price subsidy will exist alongside planned price and that it accords with the law and can only be controlled, but not abolished.

The third view held that price subsidy is a measure taken by the state to solve particular political and economic tasks. Price subsidy is a manifestation of consciousness in making use of the law of value in the process of exchanging commodities. Price subsidy has a dual nature. On the one hand, it is desirable during a certain period of developing production, making market price basically stable and stabilizing people's livelihood. On the other hand, this measure causes some prices to fail to truly reflect the changes of their value in an overall way. Therefore, it has weakened the lever role of price, deepened the irrationality of price structure, affected the relations of parity and inflicted heavier financial burdens on the state. Therefore, it is necessary to analyze price subsidy in an overall way. We must understand that it has a positive role, but at the same time it has shortcomings. Taken as a whole, price subsidy is applicable during a certain period as a measure for subsidizing, but it cannot be carried out excessively.

#### 2. The scope of price subsidy.

A number of comrades held that the scope of price subsidy must mainly be limited within people's basic daily necessity goods and it must be maintained for a long period in subsidizing grain. In future, the scope of price subsidy cannot be expanded at will, nor can the existing subsidy be abolished at will. When political and economic conditions permit, the scope can be gradually reduced through taxation and sale price readjustment and through increases in wages. The units that have received subsidy but have suffered losses in their business must make improvements during a particular period. If they fail to do so during the period, their subsidy must be abolished.

#### IV. About Theoretical Price

The forum received a number of articles on theoretical price and organized the delegates to hold specialized discussions on theoretical price. They held that the estimating value of theoretical price now being carried out is a basic construction in the work on price and this work is of great significance in improving the level of the work on price in our country. A complete system of theoretical price provides scientific foundation for readjusting the price of various products in a planned way and for compiling long-range price planning. It also provides objective standards for evaluating the achievements of enterprise, comparing the results of the investments in capital construction and calculating the economic effects of imports and exports.

There were three different views on theoretical price. The first view held that theoretical price must include the three aspects of basic price (the price that is estimated according to the form in the changes of commodity price or price), supply-demand price (the price that is estimated according to the law of readjusting market price based on supply and demand) and objective price (the price that is estimated according to the "supply-demand" price and based on state resources policy, distribution policy and "basic price"). The second view held that theoretical price includes only basic price and supply-demand price. The objective price which reflects state policy must be termed as theoretical price; it is also impossible to estimate political factors. The third view held that theoretical price is basic price and that there is no theoretical significance in considering supply-demand price and the prices of various policies.

In estimating theoretical price it is necessary first of all to solve the objective basis for the formation of price. The price of various products is made up of two parts--social cost and profit. There was no principle difference in view in the forum over the past practice of considering social cost as the main part of the price of various products; therefore, this question was discussed very little. But the forum put forth a number of new questions about fixing price costs both theoretically and practically.

Some comrades said that the subsidy made by the state finances last year for various products and housing was 50 million yuan and most of this amount was directly and indirectly used in subsidizing workers and staff and the figure for this kind of subsidy equalled the wages in the cost of the products. The total wages across the country now are only 60 billion yuan. Therefore, if we do not consider financial subsidy in product cost, it is apparent that wages in the cost are seriously distorted. The depreciation cost of the fixed assets in product cost is also comparatively low. Another question is that theoretically, loan interest belongs to  $m$  [as published], but in fact it is included in cost and therefore this situation must be changed.

Most comrades still held that departmental average cost (social cost) must be taken as an important basis in fixing price. Other comrades proposed that in order to promote rational distribution of resources it is necessary to have "opportunity cost" as the cost in fixing price. That is to say, the cost must include not only the expenses of the resources of manpower (wages) and the expenses of the resources of materials (expenses for materialistic consumption) but also the expenses of the resources of financial power (such as the expenses for the possession of fixed assets and working assets) and the expenses of natural resources (lands, mines and underground water).

How to define interest in price was an important subject of discussion during the forum. The delegates held that in estimating theoretical price it is necessary to consider profit and tax revenues (often referred to as interest) and these two aspects may be separated again in defining actual price so that we will be able to readjust profit through the economic lever of tax revenue. If in estimating we only consider profit and put aside tax revenue, the estimated price cannot reflect the value of commodities in an overall way and consequently such estimation has no theoretical significance.

The discussions also made new progress in such matters as what principle should be followed in distributing gross social profit among various departments and how to estimate theoretical price according to this principle. Traditionally there have been three advocations (defining profit and price according to social average wages or fixing price according to value; defining profit and price according to social average cost profit; and defining profit and price according to social average capital profit, in other words, fixing price according to the principle of product price). Discussions of these questions were concentrated on directly fixing price according to value and fixing price according to production cost. No one proposed defining profit and price according to social average cost profit. But the comrades who proposed fixing price according to production price held, that in concretely defining the price of various products, it is necessary to converse social average capital profit so as to reflect the cost profit which is representing the feature of particular products (divide social average capital profit by the number in the circulation of the fund of a certain product equals the cost profit of this product) for the convenience of defining the profit and price of definite products.

In addition, a number of different proposals were made in the forum with regard to defining profit and price. Some comrades proposed distributing social gross profit proportionately according to social average wages profit and social average capital profit and accordingly define price (that is double-channel price). On the assumption that the proportion of the distribution of social gross profit is based on these two aspects and is respectively 30 percent and 70 percent, the product price equals cost plus wages times

social average wages profit times 30 percent plus the volume in the possession of the fund of per-unit product times social average wages profit times 70 percent. There were three different views on this aspect. The first view held that the consumption of life labor [huo lao dong 3172 0525 0520] in our country makes up about 40 percent of the social total cost and the consumption of materialized labor [wu hua lao dong 3670 0553 0525 0520] makes up about 60 percent. The consumption of life labor in industrial production cost is about 30 percent and the consumption of materialized labor is about 70 percent and the total profit may be distributed according to this proportion. This view calls for distribution according to social average capital profit as primary and according to social average wages profit as supplementary. The second view held that social gross profit must be distributed primarily according to social average wages profit and supplementary according to social average capital profit. The third view held that the proportion in the distribution of social gross profit must be made according to social average capital profit and social average wages profit must be defined according to the proportion of the accumulation and consumption of the national revenues.

The delegates also differed over the question of whether it is necessary for the three national economic departments of agriculture, light industry and heavy industry to resort to the method of social average profit. The first view held that because industrial and agricultural funds have different organic structures, they therefore must have different principles for estimating theoretical price. As agricultural products basically belong to manual production, therefore, the method of estimating theoretical price directly according to value is applicable; but with regard to industrial products, the estimating of theoretical price can only be carried out according to production price. The second view held that the theoretical price of light and heavy industrial products must be defined according to average capital profit by which theoretical price among industrial and agricultural products can be carried out directly according to their value while within industrial products it must be carried out according to production price so as to estimate complex theoretical price. The third view held that the profit price of the products of various departments must be unifiedly defined according to social average profit because the various aspects in the process of social reproduction in various national economic departments are unified and because there are exchanges of commodities among agriculture and light and heavy industry.

CSO: 4006/499

## ECONOMIC PLANNING

### BO YIBO ON STATE COUNCIL'S PLAN TO REFORM SHIPBUILDING INDUSTRY

Beijing CHUANBO SHIJIE [SHIP WORLD] in Chinese 15 May 82 pp 1-2

[Article: "State Councillor Bo Yibo's Speech at the First Plenary Session of the Board of Directors of the CSSC (China State Shipbuilding Corporation)"]

[Excerpts] The establishment of the CSSC is a significant breakthrough in the reorganization of the machine-building industry along trade lines. Furthermore, it is an important breakthrough in our effort to reform our economic system.

Our Party Central and State Council have resolved to reorganize and reform the existing industrial enterprises of certain important industrial ministries one by one, based on the policy of "regrouping along trade lines." For example, our machine-building industry's production has already been developed considerably, but there are still many deficiencies in its management system. The main problem is that too many systems have been set up. Of course, some of the systems formed throughout our history have done fairly well and have made significant achievements. But in general, the vast number of systems has given rise to too many leaders, too many departments and an excessive decentralization of management. This has resulted in irrational duplication in production, import of technology, construction and scientific research, which have hindered the effective utilization of our forces of production. These deficiencies also exist in our shipbuilding industry.

In order to overcome these deficiencies, our Party Central and State Council have resolved to reorganize and reform the shipbuilding industry one step ahead of other industries. The CSSC has been established in the aftermath of a difficult period for the industry. But the CSSC has yet to forge a new path through the difficult future that lies ahead. It must change its methods of management from purely administrative to economy-oriented ones, meaning the practice of management as an economic entity of the trade to which it belongs. Of course, this is not to say that its management will be purely economic and that administrative management will no longer be necessary. Entrusted by our government, CSSC must still intervene in the administration of the shipbuilding industry, but it will not be an administrative body. As I mentioned earlier, the establishment of the CSSC is really a breakthrough for the practice of management along trade lines. Following this achievement, we must continue to make more breakthroughs. This is what I expect from the CSSC.

I must point out here that the first principle to follow is to combine military production with civilian production, i.e., both naval and civilian vessels are to be built. The second principle is to combine ship production with ship repair. We must be aware that whereas shipbuilding may not be such a problem, repair work needs to be taken more seriously. CSSC must serve well the ocean-going fleets of the Ministry of Communications and the coastal fleets of the local coastal and shipping bureaus. Ship repair work must be done well and upgraded a step further. The third principle involves the integration of industry with trade. This must be carried out under correct leadership and practiced under the unified trade policy of our nation, not in opposition to it and, furthermore, never through sales competition. The fourth principle lies in increasing the proportion of domestically supplied marine equipment and materials. Although our shipbuilding industry has received orders from foreigners for more than 900,000 metric tons of new ships, 60 percent of the marine materials and equipment to be used has to be imported. It must be recognized that this situation must not be allowed to remain as it is for long. Of course, we cannot expect complete change to take place within one or two years, but we must pave the way for the resolution of this problem. This must be taken on as a routine task and must be considered in conjunction with the technical transformation of our shipbuilding industry, through which our self-reliance capability can be improved. But if all of the four principles that I just mentioned are not implemented, and if no improvement is made in our work, CSSC will not be able to hold its ground. There is no way out unless we see improvements in our reforms. We must not fail.

Following the establishment of the CSSC, we must insist on unified policy planning and unified leadership. For important projects of capital construction and technical transformation, foreign trade, and nationwide coordination for specialized production, policy and distribution must be planned in a unified and centralized way. CSSC must not relinquish its control over these major aspects. At present, the shipbuilding industry has already built up a considerable productive capacity, and it has a high potential. It is necessary to tap this latent potential through proper readjustment, reorganization and a planned technical upgrading of the whole industry.

Under the principle of unified planning and unified handling of foreign affairs, we must advocate competition in production among local set-ups and enterprises, in both shipbuilding and ship repair.

What we mean is that competition based on production quality, construction periods, repairs, prices and service work must be developed. This competition, of course, must be properly distinguished from sales competition. But since bidding is popular in foreign countries, why not try it in China also? We must accumulate our own experiences and create our own miracles in this field. We must also strive to raise our capacity to compete in the international market. The "Law of Economic Contract" has been promulgated by the National People's Congress. From now on, all domestic transactions, whether military or civilian, and whether for shipbuilding or ship repair, shall be concluded by the signing of contracts.

CSSC must serve those who use it, and likewise those who use it must render energetic support to the CSSC. The policy of "basing ourselves on domestic supplies" must be followed. We must arrange for the domestic production of all goods which can be produced in China, including all of the materials and equipment needed for the construction and repair of ocean-going ships, off-shore drilling rigs and offshore drilling platforms. This is a complicated problem which needs to be studied carefully. A demarcation line should be drawn between what is and what is not to be imported.

We must, based upon a foundation of self-reliance, strive to import foreign technology, as well as equipment and materials that are not available in China, in order to let the ships and offshore structures we build and repair conform to international standards. This question has been in the air for quite some time now, but for complex reasons it has not yet been properly solved. This is because it involves our country's comprehensive economic policy, and how the essence of that policy can be used to protect the shipbuilding industry. It is now the duty of the CSSC to investigate the utility of building ships for the world maritime market, and to submit feasible proposals concerning this topic.

In order to expand our ship exports, CSSC must turn out more marine equipment and become more self-sufficient in outfitting ships. CSSC must also carry out scientific research and development work, and strive to attain and surpass international levels. It is a difficult task, but only when these problems are solved will our shipbuilding industry become a self-reliant and modernized national industry.

In conclusion, I hope that the CSSC, under the leadership of its Board of Directors, can efficiently run our shipbuilding industry. I am confident that under the guidance of the Party's Central Committee and the State Council, and through the combined efforts and unity of its staff, the CSSC will develop rapidly and will make significant achievements in the future.

CSO: 4013/115

ECONOMIC MANAGEMENT

MEASURES FOR IMPROVING INDUSTRIAL ECONOMIC RESULTS CITED

Fuzhou FUJIAN RIBAO in Chinese 5 Apr 82 p 2

[Investigative report by Huang Ruilin [7806 3843 7207]: "Some measures for Improving Industrial Economic Results in Quanzhou Municipality"]

[Text] Since the 3d Plenary Session of the 11th Party Central Committee, the industrial sector in Quanzhou Municipality has done a great deal of work in improving economic results in accordance with the policy of national economic readjustment. Despite the increase in raw material prices and the decrease in the prices of some products as well as the addition of nearly 2,000 new workers, this sector still succeeded in increasing its output and income by a wide margin in 2 consecutive years, 1980 and 1981. Compared with 1979, the total industrial output in 1981 increased by 35.7 percent along with an increased profit of 40.6 percent. The amount of profits paid to the treasury also increased by a wide margin. (In 1979, the state had to grant a subsidy of 430,000 yuan, but in 1981, profits amounting to 5.6 million yuan were handed over to the state.) In the state-run industrial enterprises, labor productivity increased by 18.7 percent; the profit rate for every 100 yuan's output value increased by 2.4 percent; the profit rate for every 100 yuan's sale increased by 3 percent; and the circulating funds used on every 100 yuan's output value was reduced by 2.48 yuan. There was also improvement in the quality of products. All these achievements were attributed to the following four factors:

1. Efforts in readjusting the industrial and organizational structures. Industry in Quanzhou Municipality mainly consisted of light and textile industries and handicrafts. There were more than 100 small factories irrationally distributed, and many of them were using outdated equipment with high energy consumption and producing goods of inferior quality which were stockpiled in the warehouses. Their economic results have been poor for a long time. Serious readjustment and reorganization were carried out after 1980, and all plants in the municipality were regrouped according to the conditions of supply, production and marketing. Those producing readily marketable goods with good economic results and good prospects of future development, particularly those engaged in light and textile industries were strongly supported by various departments in an effort to accelerate their development, while those producing unmarketable goods, consuming too much

energy, causing serious pollution, and suffering losses over a long period were resolutely closed, suspended, merged or retooled. In the past 2 years, a total of 18 enterprises were merged or retooled. Some of the plants had to be maintained. However, since they did not have sufficient tasks and their personnel was excessive, some of their workshops and personnel were allocated to other enterprises producing goods in short supply. This readjustment helped to improve the proportionate relationships within industry and the production of goods in short supply was further developed. In 1981, the light and textile industrial output value reached some 220 million yuan, and accounted for 89.8 percent of the total industrial output value in the municipality. In accordance with the principle of organizing specialization and cooperation among enterprises producing similar goods or using similar production processes, the municipality also formed various types of economic integration, such as the General Plant of Household Electrical Appliances and the Garment Company, to produce fine-quality, brand-name and readily marketable goods. Specialization in production has quickly expanded the productive capacity. The second light industry sector also combined seven or eight scattered electroplating workshops to form an electroplating plant, and thus helped to reduce pollution and raise efficiency. It also established a specialized plant by combining some workshops producing traditional products for export in accordance with the principle of converting all-inclusive into specialized units, and took active measures to set up joint undertakings in collaboration with the foreign trade departments so as to accelerate the development of exports.

2. Continual improvement of the product mix. Great efforts were made to increase the production of easily marketable, brand-name, fine-quality and export products, based on the market demand. Formerly, pure cotton balls accounted for 80 percent of the products of the Quanzhou Thread Mill which then not only experienced difficulties with the shortage of raw materials, but also incurred losses. Last year, this mill was retooled to produce chemical fiber materials needed by the consumers. The problem of raw materials was solved and the economic results were improved. Compared with the previous year, its output value last year was increased by 1.2 times, and the profit realized was increased by 2.7 times. In developing the production of light industrial consumer goods, the municipal authorities also strived for the increase in new and fine-quality products. In the past 2 years, they produced more than 300 new products, more than 2,000 new designs and varieties and more than 160 fine-quality products, of which 22 were rated as national or provincial fine-quality goods in the industrial-transportation sector. Nearly 60 varieties of export goods were produced and the volume of these goods already delivered last year was 34 percent more than in the previous year. The machinery trade had to change the orientation of its service in order to serve light and textile industries, the technical transformation of old enterprises, urban construction, civil engineering and export. Although the planned tasks for the machinery trade was seriously insufficient, its output value last year still exceeded that of the previous year by 9.1 percent.

3. Technical transformation of existing enterprises. The industry in Quanzhou Municipality developed from handicrafts, and 64 percent of the

enterprises were run collectively. The majority of plants used obsolete equipment and backward technology. Therefore, a lot could be done to improve them. No new plant was commissioned in the past 2 years, and expanded reproduction mainly relied on technical renovation and transformation by bringing into play the role of existing enterprises. In the past 2 years, 63 technical transformation projects, calling for an investment of some 26 million yuan, were carried out. As a result, in 1980, the output value was increased by 29 million yuan; the taxes and profits handed over to the state were increased by 5.7 million yuan; and foreign exchange earnings were increased by more than 2 million dollars. In 1981, the output value was increased by more than 10 million yuan; taxes and profits, by 2 million yuan; and foreign exchange earnings, by 4 million dollars. It is estimated that in 1982, the output value will be increased by more than 30 million yuan; and taxes and profits, by 5 million yuan. In carrying out equipment renovation or technical transformation either through foreign imports or through transplantation from other provinces, great attention was paid to the actual conditions in the enterprises concerned so that only the suitable techniques were chosen. Priority was given to the projects for producing readily marketable goods of fine quality and the projects calling for less investment but producing quick results. Throughout the process, overall planning was carried out in a planned, selective and systematic way so that a steady improvement of the enterprises' production and technology could be maintained. In work, more active leadership was provided for the coordination of efforts from various quarters for the solution of problems in order that most of the projects could be commissioned and could show their results in the same year. The Quanzhou Municipal Hemp Textile Mill, for example, planned its technical transformation for an annual output of 8 million slivers, based on the demands of domestic and foreign markets. The transformation was carried out step by step, and began with the remodeling of 16 sets of old machines made in England, and the manufacturing of a spooling and weft-knitting machine by itself thus raising its productive capacity to 3 million slivers per annum. As the second step, it manufactured its own warp finishing drawing frames and other accessories and auxiliary equipment, thus further raising its annual productive capacity to 4.7 million slivers. The third step in transformation was taken in 1981 when, with the auxiliary equipment provided, its annual productive capacity was raised to 6 million slivers.

4. Introduction of the economic responsibility system to arouse the enthusiasm of enterprises and their workers and staff members. Quanzhou Municipality considered the introduction of the economic responsibility system and the elimination of the defects of "eating from the same pot" and egalitarianism as an important aspect of the "new road" in economic work as well as a basic measure for the enterprises to increase their production and income; and established a special staff office for this purpose. In the industrial-transportation sector, 38 state-run plants separately practiced the systems of profit quotas for the state, keeping losses within certain limits, sharing above-quota profits and so forth under the system of economic responsibility of enterprises to the state. More than 90 percent of the industrial enterprises in the municipality also practiced the system of internal economic responsibility in various forms. In practicing the

system of economic responsibility, they were guided by the principle of "five attentions and one combination." This means attention to the all-round fulfillment of state plans, and to the organization of increased output according to market demand so as to guard against the practice of "more work for more profit and no work for small profits" or striving onesidedly for output value; attention to the systems of quotas and of reward and punishment, and to the correct handling of economic relations among the "three parties"; attention to the perfection of a job responsibility system for all functional departments, workshops, shifts and groups and individuals; attention to the inspection of financial and economic disciplines and to the supervision and control of bonus payment; attention to ideological and political work so as to integrate it with the material benefits of the workers and staff members; and the combination of strengthened basic work--including a sound system of first-hand records, statistics, measurements, inspection, labor quota, quotas of the consumption of raw materials and fuels, a comprehensive system of economic accounting, total quality control and personnel training--with the reorganization of enterprises, so as to raise the standard of enterprise management and increase both production and income. In September of last year, 10 state-run enterprises under the industry bureau adopted the system of above-quota piecework wages. In the 4 months from September to December, the average monthly output value and the average monthly profits increased by 31.3 percent and 31.7 percent respectively over those from January to August.

Industrial economic results in Quanzhou Municipality improved rapidly in the past 2 years. Apart from the subjective as already mentioned, there were also objective ones, such as the low proportion of heavy industry which minimized the effects of readjustment. There were also many municipalities and countries, other than Quanzhou Municipality, in the province making rapid progress in economic results, and some of their economic and technical indices even surpassed those of Quanzhou Municipality. Nevertheless, Quanzhou's experiences in increasing both production and income deserve our close attention.

9411  
CSO: 4006/448

## ECONOMIC MANAGEMENT

### 'JINGJI GUANLI' ON BUSINESS FINANCIAL REORGANIZING

HK050456 Beijing JINGLI GUANLI in Chinese No 5, 15 May 82 pp 35-36, 58

[Article by Tao Shengyu [7118 4164 7126], head of industrial and communications department of Ministry of Finance: "Financial and Accounting Work of the Enterprises Must Be Realistically Reorganized"]

[Text] Reorganizing and strengthening the financial and accounting work of the enterprises is an important link of the overall reorganization of the enterprises.

Since the 3d Plenary Session of the 11th CCP Central Committee, the state, when readjusting the economic structures and reforming the enterprise financial systems, has adopted some measures to improve financial and accounting work. It should be said that the business management of enterprises has improved and their financial and accounting work has also strengthened. In terms of the whole country, however, the backward state of enterprises' financial and accounting work has not fundamentally changed. The phenomena that the accounts are not in order, the amounts of assets are not clear, cost accounting is not well-done, are still fairly common. Quite a few enterprises still severely consume and even waste their financial resources and materials while they achieve poor economic results. In order to satisfy their selfish interests, some enterprises practice fraud in their financial accounting, and even illegally intercept and seize state revenue. Some enterprises raise prices without authorization and recklessly issue bonuses, subsidies and materials. Leading cadres and personnel concerned in some enterprises practice bribery or accept bribes, squander public funds, and use these funds to give dinners or send gifts. If these foul practices in enterprises' financial management are not straightened out but allowed to spread unchecked, not only will the state incur economic losses, but evil acts, such as speculation, graft and embezzlement, will be encouraged, thus depraving workers' morality and corrupting social values and the party spirit. So we must take this problem seriously.

Financial and accounting work is an important part of the enterprise management. This is the basis for practicing overall business accounting and continuously improving the economic results of the enterprises. It can record

and reflect the activities of enterprises' production and business, calculate and assess the fruits of enterprises' business, and supervise and expose the problems in enterprises' operation. Doing a good job in reorganizing and strengthening financial work in enterprises can help improve the enterprise management, achieve better economic results, increase financial incomes, speed up modernization construction and provide reliable economic information for unfolding among the enterprises the movement of "emulating, learning from, catching up with, helping and in turn surpassing each other."

In order to reorganize and strengthen the financial and accounting work of the enterprises, emphasis should be placed on the following points:

First, properly control and use the materials and funds of enterprises, and protect the integrity of the state property. All properties of the state-owned enterprises, including fixed assets and circulating funds, are the wealth of our socialist society and the material foundation for enterprise production activities. All enterprises must keep accounts on these properties and take good care of them. These properties should be carefully maintained, regularly checked, reasonably utilized and given cooperation to yield good benefits. A strict responsibility system should be established, and duties of the personnel concerned should be clearly specified, as well as the methods of rewards and penalties. Operating against regulations, embezzlement, scrambling and misappropriation must be prevented. The state property must be fully secured and prevented from suffering any loss in the fields of conservation, production and circulation.

Second, increase profits in the enterprises and stop financial losses in business operations within a set time. While guaranteeing the quality and marketability of their products, enterprises should actively tap the internal potential, make efforts to increase output and varieties, lower production cost and raise the profit margin. They should try to increase both production and income or to prevent a reduction in income despite decreased production. On the basis of keeping accurate accounts on various economic items, they should conduct a regular analysis of economic activities, in which the masses can take an active part, so as to find out contradictions and see where problems persist. Enterprises should also attain their records in a set time and try their best to catch up with and surpass the average levels and advanced levels of their trades. Enterprises which incur financial losses for a long time due to their poor management should be ordered to stop production and carry out reorganization. Those which cannot stop losses within a set time should not acquire subsidies from financial departments and loans from banks.

Third, financial revenue should be totally turned over to the state on time. Unauthorized retention, misappropriation and default must be strictly forbidden. Taxes, profits, utilization fees of fixed assets and circulation funds and depreciation funds which the enterprises should turn over to the state must

all be turned over to the state treasury in full and on time in accordance with the state stipulations. If they make unauthorized retention, misappropriation and default, the financial departments should order them to make up the due sums within a set time and impose economic penalties on those failing to fulfill this duty within the time limit. It is necessary to correctly handle the relationships between the state, the enterprises and the individual workers. Legal interests of these three aspects should be all taken into account.

The withdrawal of various special funds by the enterprises, including enterprise funds, profit retention and retainable share of surplus income, should strictly follow the relevant state stipulation. Financial revenue is not allowed to [word indistinct] function without authorization, or press for continuation of present contracts, raise the portion of retention, duplicate withdrawal funds and excessively issue and divide funds.

Fourth, honestly reflect the financial situation and accurately handle cost accounting. Any income and expenditure by an enterprise, including cost and overhead, consumption of materials, use of funds and profits and losses, should be kept in accounts in real numbers. Financial statements on this basis should be honestly made to correctly reflect the state of financial affairs. The evil practices of fraud, such as padding the cost accounts with the numbers of plans, quotas or estimates, making false reports on profits and losses, concealing funds and materials and fraudulently drawing allocations from the state, should be stopped.

Fifth, tighten the financial system and abide by financial disciplines. In order to mobilize the initiative of the enterprises, the state should give certain decision-making powers to the enterprises concerning production, marketing, supplying and management of personnel, finance and materials. This is beyond any doubt. But all socialist enterprises must obey the overall interests of the state. An enterprise, even a large-scale syndicated enterprise, is only a cell in the national economy. Any production and business activities of the enterprises must be conducted within the scope of policies, decrees and plans laid down by the state. Cost accounting, financial income and expenditures, overhead expenses and issuance of bonuses in the enterprises should all strictly follow the state systems and stipulations concerned. Each doing things in his own way is not allowed. Any practice violating the state stipulations should be straightened out.

Sixth, strengthen the basic work of financial management and perfect the financial and accounting system. In order to carry out overall economic accounting and improve the quality of accounting, enterprises must keep a whole set of original records, accounting vouchers and account books. Quotas for consuming materials, working hours and expending funds should be set with regular increases in quotas built in. Systems should be perfected in the aspects of drawing materials, checking quality before acceptance and taking stock regularly. Financial budgets and statements should be worked out each year, each quarter and each month. There should be vouchers for inflow and

outflow of funds, quotas for consumption, a basis for accounting and plans for actions. Implementation should be followed by inspection and advantages should be assessed. Without a whole plan for an integrated and systematic basic work style and a scientific and strict financial and accounting system, improvement of management and economic results will be merely empty talk.

Seventh, strengthen financial and accounting organs and enhance the professional abilities of financial and accounting personnel. In order to improve the quality of financial and accounting work and to raise the level of operation and management, all enterprises should have their independent financial and accounting departments manned with necessary personnel. These departments should be perfected as soon as possible and replenished with enough personnel. Close attention should be paid to the training of financial and accounting personnel. With various forms, all personnel should receive the in-service training in rotation within 2-3 years so that they can enhance their understanding of policies and professional abilities. In the state educational program, the number of students specializing in finance and accounting enrolled in colleges and special secondary schools should be appropriately increased so as to meet the need of strengthening financial and accounting work. It is necessary to strictly implement the "duty regulations of accountants," properly handle the affairs concerning the examinations and promotion of the accountants and confer technical titles on them, so as to give play to their initiative. Enterprise leaders should respect financial and accounting personnel, support them to implement their duties and competence, and encourage them to maintain the state financial and economic disciplines. Those who retaliate against accountants should be dealt with sternly. Financial and accounting personnel should also adhere to the systems and fulfill their duties.

The economic responsibility system of general accountants should be perfected. Financial plans and accounting reports of an enterprise should be signed by its general accountant. Schemes of technical transformation and various economic contracts should be countersigned by general accountants of the enterprise concerned. General accountants have to take economic responsibility for all these items. At the same time, financial democracy should be realistically practiced. Financial affairs of an enterprise should be regularly reported to the congress of workers and staff. Financial plans, accounting statements and the utilization schemes of special funds should be submitted to the congress, thus conscientiously receiving the supervision of the masses.

Eighth, strengthen financial supervision. Financial departments at all levels have the right to inspect the accounts of enterprises and any of their financial activities. Large and medium-sized enterprises should actively support commissioners sent by financial departments who help enterprises strengthen business accounting, organize financial revenue and supervise the implementation of financial and economic policies of the state, as well as observe the financial and economic disciplines.

Reorganizing and strengthening financial and accounting work of the enterprises is a complicated and painstaking work. It calls for the joint efforts of departments in charge of enterprises, financial departments and enterprises themselves. We must follow the spirit of the instructions issued by the central authorities and effectively, stringently and perfectly handle this work.

FINANCE AND BANKING

BRIEFS

ECONOMIC, TECHNICAL CORPORATION SET UP--Beijing, 26 June (XINHUA)--A China Tianjin international economic and technical cooperation corporation has been established with the approval of the state council. The corporation, set up recently, is a state enterprise which practices independent accounting and is responsible for its own profits and losses. Under the leadership of the people's government of Tianjin municipality, it will contract for "turn-key" residential, industrial, commercial and cultural construction projects, provide technical and labor services, conduct technical cooperation and undertake China-invested economic aid projects. The corporation has the right to sign contracts and enter into joint ventures with foreign firms and businessmen.  
[Text] [OW261248 Beijing XINHUA in English 1214 GMT 26 Jun 82]

CSO: 4020/144

## CONSTRUCTION

### SHANGHAI UNVEILS URBAN DEVELOPMENT PLAN

HK220131 Beijing CHINA DAILY in English 22 Jun 82 p 3

[Text] A preliminary master plan for Shanghai has been unveiled by the municipal government, LIBERATION DAILY reports.

Under the plan, population and use of space in the town centre are to be strictly controlled while the focus for development will be on the satellite towns in line with the guiding principle of decentralization.

Shanghai, China's largest city and industrial centre with an estimated population of some 11 million, has had the problem for many years of over population in the comparatively small centre area.

The new plan points out that effective measures must be taken soon if the city is to have economic development.

The main steps put forward to improve the situation are:

To gradually divide Shanghai's centre into several districts with a balance in economic, industrial and living facilities;

To turn Luiazuei of the Pudong area, the eastern outskirts of Shanghai, into a modern urban district;

To develop the coastal regions on the tip of the peninsula between the mouth of the Changjiang River and Hangzhou Bay where Shanghai lies;

Within the next few years, to lay stress on construction of the three satellites--Wusong, Jinshanwei and Minhang--and to perfect the other four--Jiading, Wujing, Anting and Songjiang.

#### Ten-Year Delay

The paper said that since liberation, Shanghai has built more than 10 satellite industrial towns and industrial districts on its outskirts, over 140 residential quarters with a total floor space of 20 million square metres and a number of public installations.

But still, the paper said, the city's construction has not been sufficient. It noted that the ten-year "cultural revolution" wrecked all previous plans for development and caused much confusion.

It was not until 1978 that the offices responsible for the planning and administration of Shanghai's development were restored; they have taken more than a year for investigation, discussion and revision in preparing the current proposals.

The paper remarked that the plan, which outlines the new Shanghai's urban layout, the future development on the city's traffic, industry, agriculture, sideline production, science and technique, culture, public health, education, physical culture, protection of relics and historical sites, housing, public buildings and environmental protection, has laid a foundation for a later more detailed plan for the city.

CSO: 4020/145

## CONSTRUCTION

### MEASURES TO CONTROL CAPITAL CONSTRUCTION COSTS SUGGESTED

Yinchuan NINGXIA RIBAO in Chinese 8 Apr 82 p 3

[Article by Yang Ruiji [2799 6904 0679]: "Control of Capital Construction Costs"]

[Text] Recently, capital construction costs have been rising every year. According to an investigation in 1981 conducted by the Yinchuan branch of the Construction Bank on the costs of different engineering projects, the average per-unit cost for building an ordinary residential house of mixed structures was 45-60 percent higher than in 1965. Therefore, an urgent need of the moment is to control the cost of capital construction projects in order to improve the economic results.

There are many causes for the rise in the cost of capital construction projects. The rise in the people's standard of living, the development of industrial and agricultural production, the improvement in production process, the corresponding rise in the standard of designs, and finally the increase in the price of building materials should have raised the engineering costs a little, and this is only a normal phenomenon. However, there are also irrational factors which should arouse the attention of the departments concerned.

1. Although state investment in capital construction has been reduced during the national economic readjustment, the use of self-raised funds and the funds earmarked for tapping potential and carrying out equipment renovation and technical transformation on fixed assets as a means of expanded or simple reproduction has continued to increase. In Yinchuan, for example, such funds accounted for approximately 50-60 percent of state investments. Some of these funds are not deposited in the banks, and are thus beyond the banks' supervision. Some construction enterprises have made their estimates higher by including unnecessary extra work or raised their scales of charges at will. After the completion of work, there is no one to supervise or audit the final financial and engineering accounts. That is why the costs of capital construction projects have always been very high. The regional culture bureau and the regional finance bureau have used their self-raised funds to build a 2,300 square meter residential house. When the work was completed in 1981, the work unit prepared the final statement of account in which the cost was

specified as 546,000 yuan. While starting its consultation service, the construction unit authorized the Construction Bank in Yinchuan Municipality to check the charges and it was discovered that the work unit had overcharged 12,686 yuan through duplicated charges for some jobs; another 23,458 yuan by jacking up some prices; another 29,504 yuan by inflating the amount of engineering work; and still another 34,352 yuan by raising the scale of charges. After verification, a total of 100,000 yuan was reduced and another 19,000 yuan was added, resulting in a net reduction of 81,000 yuan.

2. In the past 2 years, the rural communes and production brigades have set up many quarries for stones and sands in addition to brick kilns. However, whatever they could supply was not enough, and the quality was poor. It was a plain waste of state construction funds. According to an investigation, the sands produced in Yinchuan for building contained 20-30 percent of earth, and the loss was serious in both volume and weight. If we want to build a house in Yinchuan, we need approximately 850 cubic meters of sands. However, because of their poor quality and loss of weight, we will need another 340 cubic meters. Calculated at the estimated prices of building materials in Yinchuan, we will have to spend an extra amount of 4,889 yuan on sands alone, and the average cost of every square meter of floorspace will be raised by 2.45 yuan. To avoid adverse effects on the quality of their engineering, many construction units have encouraged the work enterprises to obtain their stones and sands from Zhongwei, Qingtongxia and the Huanghe River dikes. Because of the transportation charges, the costs of these materials were higher than those of local materials by 45-50 percent.

3. According to the "Estimated Amounts for Construction and Installation Engineering" in our region, all the prices of locally produced materials are based on the estimated prices in Yinchuan. Some prices are quite high because local conditions have not been taken into account. At present, in Yinchuan, the market price for every 1,000 bricks is 40-42 yuan (including transportation and loading-unloading charges); and that of every cubic meter of sands (delivered to the worksites), 11.5-12.5 yuan. According to the estimated prices, however, the price of every 1,000 bricks in Yinchuan City is 61.45 yuan, being 2.45 yuan over the market price; and that of every cubic meter of sands is higher than the market price by 2.6-3.5 yuan. Thus some work enterprises would buy their bricks and sands at the market prices and then charge the construction units at the estimated prices. If we want to build a 2,000 square meter residential house in Yinchuan and pay these charges, we will have to pay 9,975 yuan more on bricks and 2,400 yuan more on sands. The cost of the house will be raised by 6.19 yuan per square meter.

From this, we can see that the high engineering costs in our region are mainly related to problems in management. Therefore, much can be done to lower these costs. If all departments concerned can do their jobs well in management, the region will be able to save millions or even tens of millions of yuan in our investment in capital construction.

### How to Control the Construction Costs?

First, we should strengthen the cost control departments and step up the work of control by building a strong contingent of highly specialized workers. This job is necessary to not only the planning departments, but also to the construction commissions, and the building materials and the construction industry departments at all levels.

Second, all capital construction funds, regardless of their sources, should be deposited in the local construction banks so that their use can be properly supervised. Construction banks at all levels should set up organs for auditing final accounts, and the personnel and technical force of these organs should be strengthened.

Third, a system of reward and punishment should be set up for the work enterprises submitting their final accounts.

Fourth, the system of budget preparation by the design departments should be restored in order to stabilize the construction costs.

Fifth, the budgeted amounts and the scale of charges should be readjusted regularly in accordance with actual conditions. Great attention should be paid to quota management, while the rules and regulations of construction cost control and the system of reward and punishment should be set up and perfected.

Sixth, the building materials control and supply departments should carefully attend to the problems of quality, quantity and price of building materials and carry out constant inspections, evaluations and comparisons in the localities.

9411  
CSO: 4006/448

FOREIGN TRADE

BRIEFS

FRENCH AID FOR COALFIELD--Beijing, 21 May (XINHUA)--China will import from France a complete set of key equipment for a big coal mine under construction in Yanzhou, Shandong Province, according to an agreement signed recently between the China National Technical Import and Export Corporation and Sogexport of France. The mine has a designed annual capacity of 4 million tons of coal. The equipment to be imported include machines for moistening, water drainage, ventilation, transport and tunnelling. The costs will be covered by loans from a French bank to the Chinese Ministry of Coal Industry at an interest rate of 7.5 percent. The designing and construction of the mine is undertaken by the Chinese side, while the key equipment is to be imported, the rest of the equipment will be provided by Chinese machine building plants. [Beijing XINHUA in English 0746 GMT 21 May 82]

CSO: 4020/145

TRANSPORTATION

BRIEFS

EXPRESSWAY FEASIBILITY STUDIES--Guangzhou, 30 Jun (XINHUA)--Surveys for a super highway running from Guangzhou to Zhuhai near Macao and Shenzhen near Hong Kong, China's first expressway, have been completed and economic feasibility studies will begin soon, according to the Guangdong provincial government. The preliminary surveys have determined that the expressway would be 267 kilometers in length, with a four-kilometer long bridge across the Pearl River. The joint committee for the construction of the expressway yesterday heard reports by the survey team of 21 engineers and decided to carry on with economic feasibility studies along with technical feasibility studies which are already under way. The committee feels that construction of the expressway would have a great impact on economic development in Guangzhou, Hong Kong and Macao and stimulate the development of freight transport and the tourist industry in the Pearl River delta. The expressway is a joint project of the Guangdong Highway Construction Company and the Hopewell China Development Ltd. of Hong Kong, with construction funds to be provided by the latter. [Text] [Beijing XINHUA in English 1242 GMT 30 Jun 82]

CSO: 4040/144

GENERAL

EAST CHINA CITY SCORES INDUSTRIAL SUCCESS

OW181301 Beijing XINHUA in English 1229 GMT 18 Jun 82

[Text] Nanjing, 18 June (XINHUA)--Wuxi City on the edge of Taihu Lake now attracts national attention not just because of its scenic beauty but also of its rapid industrial growth.

The city, 120 kilometers west of Shanghai, increased its annual industrial output value at an annual average rate of 12.6 percent from 1977 to 1981. A medium-sized city, Wuxi's textile industry ranks sixth among all Chinese cities in terms of total annual output value and produces one-third of the textiles commended as "famous-brand products" by central and Jiangsu provincial authorities.

More than 380,000 people, 63 percent of the city's 610,000 residents, have stable jobs. All people who want to work are employed.

In an interview with XINHUA, deputy Mayor Yu Qian attributed the city's industrial success to the policy of readjusting China's economy, which calls for upgrading factories and restructuring industrial system to produce more and better consumer goods responding to domestic needs and international market demand.

Under the policy of putting greater emphasis on light industry, Yu Qian said, the municipal government of Wuxi has since 1980 used an average of 61 percent of its industrial investment to transform the existing textile, electronics and light industries.

In the course of this technical transformation, according to Yu Qian, Wuxi's textile industry added spindles and had its outmoded machines replaced by better ones acquired from other parts of China and abroad. In 1981, the textile mills stopped production of goods without ready market, while turning out 76 new varieties and designs of textiles. The textile industry now yields half of the city's industrial profit, Yu Qian added.

The process of achieving industrial growth through technical transformation while at the same time building new enterprises is a national policy, Yu Qian explained. This policy, he said, has worked in "quite a number of factories."

One example is the Wuxi Plastic Carpet Factory--the only one in China--which used to produce 100,000 square meters a year at a cost averaging 50 yuan per square meter.

Now that the factory has been revamped with equipment made by itself and bought from foreign countries, it is able to produce 700,000 square meters a year, at half of the original cost.

Factories operating along similar lines of production have joined forces to work in cooperation to improve efficiency and the quality of products.

The cooperation took a variety of forms, Yu Qian said. One bicycle factory and 12 smaller factories producing bicycle parts, for example, organized themselves into the Wuxi general bicycle plant in 1980 to streamline production. Daily output of bicycles shot up from 1,000 to 3,000 through eliminating duplication in production.

Economic cooperation and technical transformation enabled Wuxi to increase its total output of bicycles to 675,000 last year, an increase of 96 percent over 1979. Output of other durable consumer goods in heavy demand also went up. That of sewing machines, for example, rose 5 times and that of television sets, 3.2 times.

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## HONG KONG DEVELOPER SETS PLAN FOR SHENZHEN TOWN

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[Text] Hopewell holdings, a major real estate developer here, has completed the master plan for its \$10 billion new town development project in the Shenzhen Special Economic Zone (SEZ).

Hopewell managing director, Gordon Wu, yesterday said his company would start the first phase of the project, the reconstruction of the Luohu Railway Station in Shenzhen, by the end of September.

Mr Wu said the drafting of the master plan had been completed after 9 months of work and would be submitted to the Guangdong authorities by the end of July.

"The Guangdong authorities are expected to approve the plan one month later," Mr Wu said.

He disclosed the plan after the signing of a \$600 million loan facility provided for Hopewell by a syndicate of 24 banks. Half of the money would be used to finance part of the new town project.

The project, disclosed last October, calls for Hopewell to improve the infrastructure on a 33-square kilometre site in Futian and to erect some other buildings there for the Guangdong authorities. If things go well, Hopewell will also have the right to lease the site to other developers for property developments. Gordon Wu said a new and efficient Luohu Railway Station would be vital to the success of the Futian new town although the station is about seven kilometres away.

"The new railway station enables a more convenient passenger transit on the Hong Kong-Shenzhen border," said Mr Wu.

The new town would be linked to the railway station by a seven- to eight-kilometre long light railway system and a highway.

"The design of the light rail system will be similar to those in Europe. Most parts of the system will be in the open-air but it will go underground when it crosses the highway," said Mr Wu, adding that in future all residents of the new town can reach a light rail station within 12 minutes on foot.

He pointed out that the most serious problem facing the new town project was the lack of telephones.

"We hope to have 20 to 30 telephones per 100 residents in Futian but under the planning of Shenzhen authorities there will be only 2,000 for the whole Sez," said Mr Wu, adding that the future population of Futian would be 300,000.

According to some sources, Shenzhen will be developed into a city with a population of one million by the year 2000 from the present 60,000.

Mr Wu said Shenzhen authorities had no plan to install more telephone lines but refused to let Hopewell to carry out the installation, adding that his company was negotiating with Beijing's high-ranking officials on the matter.

The \$600 million loan facility is divided into the tranches. The first is for various Hopewell projects, mainly in China including the new town project, and a highway system linking Hong Kong, Guangzhou and Macau.

However, Mr Wu said it would take quite a long time before the highway project could be realised because the construction involves more than 300 brigades.

[Words indistinct]

Interest for the loan facility is set at 1.125 per cent over the Hong Kong interbank offered rate. Lead managers are Paribas Asia, Dresdner Bank Hong Kong branch, Bank of Tokyo and Chartered Bank. The commitment fee is 0.25 per cent.

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END